

SECURITIES LENDING POLICY

OBJECTIVE

The Nebraska Investment Council (the "Council") may, at its discretion, retain one or more lending agents to lend securities held in its separately managed, publicly traded investment portfolios. Pooled investment vehicles remain outside the purview of these guidelines. Borrowers to whom securities are lent must provide collateral in exchange for the right to borrow securities. The securities lending program should generate income from fees on loans and from a limited amount of risk from the cash collateral investment portfolio consistent with the portfolio guidelines.

LENDING

The lending agent will evaluate the credit-worthiness of potential borrowers of securities, and will loan securities only to financially sound borrowers. The lending agent will maintain a diversified list of such borrowers in order to mitigate the counterparty risk that is inherent in securities lending.

Collateral levels will not be less than 102% of the market value of borrowed securities for domestic securities, or not less than 105% for international borrowed securities. Marking to market will be performed every business day subject to de minimis rules of change in value, and borrowers will be required to deliver additional assets as necessary to maintain over collateralization of securities loans.

REINVESTMENT PORTFOLIO

The cash collateral portfolio will be managed on an amortized cost basis (maintain a \$1 NAV) and have investment guidelines to ensure that only a limited amount of risk is taken on the reinvestment of the cash collateral consistent with the portfolio guidelines. This will control the amount of credit and duration risk that can be taken by the short duration fixed income manager, which will help to mitigate losses due to insufficient collateral relative to the amount on loan. In addition, guidelines for the cash collateral portfolio will be created in conjunction with the lending strategy and with input from the securities lending agent.

The collateral pool should also maintain a reasonable level of overnight liquidity in order to allow for the smooth recall of securities over time.

MONITORING

The State Investment Officer (the "SIO") will be responsible for monitoring the securities lending program on an ongoing basis. Each quarter, the SIO will provide a summary of the securities lending program, which should include revenue earned during the quarter and other relevant information related to counterparties and the cash reinvestment portfolio. On an annual basis, the SIO will provide a detailed report to the Council on all aspects of the securities lending program.